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1 May 1962



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CENTRAL INTELLIGENCE BULLETIN



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*Laos: [The extent to which Thai leaders were able, during the recently concluded Laotian goodwill mission to Bangkok, to influence Phoumi toward reaching an accommodation with Souvanna Phouma is not yet clear. Phoumi has told the US Ambassador in Vientiane, however, that he considers Souvanna's mandate to form a coalition government still valid and will take no action that might revoke it. Phoumi said categorically that he would not go ahead in the near future with the project of forming a government under the King--a scheme strongly opposed by both Souvanna and the Pathet Lao.]

[The Laotian Foreign Ministry has asked the Laotian chargé in Paris to sound out Souvanna as to what assurances he would be willing to grant in return for concessions on the key ministerial posts of Defense and Interior. The chargé is also being asked to ascertain Souvanna's views on the present political impasse, and the date of his return to Laos. Acting Foreign Minister Sisouk also requested that the US make a parallel démarche to Souvanna in Paris.]

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[Meanwhile, the Vientiane regime is under increasing economic pressures as a result of the suspension since February of American financial support, amounting to the withholding of \$3,000,000 monthly.]

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Common Market - Britain: [Belgian Foreign Minister Spaak believes the time has come for a showdown on whether a basis for UK accession to the Common Market (EEC) actually exists. At a private luncheon on 28 April, Spaak contended that the EEC-UK negotiations now have gone about as far as they can until the EEC finds out whether London is willing to see Commonwealth preferences phased out over a transitional period of 5-10 years. If Britain should insist instead on a permanent privileged position for the Commonwealth, then De Gaulle would be in a position to block.]

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[UK entry--and Spaak feels the other EEC mem-
bers would have to support him.]

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Austria: [The delegation headed by Chancellor
Gorbach and Foreign Minister Kreisky has indi-
cated that its principal aim during the Washington
visit commencing on 3 May will be to emphasize Aus-
tria's need for some associative tie with the Common
Market (EEC). Austrian leaders are prepared to ar-
gue that Austria cannot accept US trade proposals as
an adequate alternative to association.]

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Laos

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[The wording of the Thai-Laotian communiqué, issued on 29 April at the conclusion of the Laotian visit, reflects the Sarit regime's basic sympathy for Phoumi and its apparent felt need to take a strong anti-Communist stand for domestic consumption. Thailand pledged to help solve the economic problems facing Laos "as much as possible." Actual pledges of assistance apparently amounted only to 1,000 tons of rice and an as yet undetermined quantity of cement. Phoumi probably expects similar results--more moral than material support--from upcoming Laotian good-will missions to Seoul, Saigon, Kuala Lumpur, Taipei, and Manila.]

[Phoumi's admission in Bangkok that the Laotian economy is in trouble because of the suspension of American financial support [redacted] Emergency controls imposed by the government have failed to hold down commodity prices, and black market problems are on the increase. Although army salaries are still being paid, the government is accumulating large debts with its civilian contractors.]

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[Heavy borrowing by the government from the Laotian National Bank and from funds deposited abroad to meet current expenses is eating rapidly into the country's estimated reserves of some \$21,000,000. Orders for the printing of additional amounts of Laotian currency have been placed with a London firm, with delivery promised about the end of the year; however, the government is concerned that at its present borrowing rate, the supply of local currency may be exhausted well before then.] [redacted]

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[redacted]

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[redacted]

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Austrian Approach to the Common Market

The two Austrian coalition parties are in basic agreement on the Common Market issue, but Austria's position is much more the work of Kreisky, a Socialist, than of Gorbach, who is leader of the People's party. Kreisky and State Secretary for Foreign Affairs Steiner are expected to be the chief spokesmen during technical discussions with US officials. Kreisky, in a recent private discussion with US officials, stated that he hoped the US would understand that the association of the neutrals with the EEC would strengthen rather than dilute the European integration movement.

In seeking free access for their exports to the EEC and opening up their own markets to EEC exports, Austria, Switzerland, and Sweden are apparently increasingly willing to accept not only the tariff provisions of the EEC treaty, but also some of its economic and social provisions, e.g., anticartel measures, provisions for free movement of labor and capital, and equalization of social security legislation. The three neutrals seem especially loath, however, to accept such EEC treaty articles as those providing for a common commercial and trade policy toward nonmembers; they want escape clause provisions regarding their obligations in the event of war; and they have always made clear they cannot participate in moves toward European political unity.

Gorbach views his US trip as an opportunity to enhance his prestige prior to a national election expected in late autumn. Gorbach's performance as Chancellor has been unimpressive, and he reportedly has been weak in the face of Soviet pressure on the EEC issue. In the event of a People's party electoral victory, Gorbach probably will remain in office, however, because of lack of agreement on a successor.

Kreisky is expected to be a prime target of the People's party in the political campaign. Recently the US Embassy in Vienna won Kreisky's gratitude by clearing him of a charge in the People's party press that his handling of the Common Market issue had made him "persona non grata" with US officials.

[REDACTED]

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